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Anticipated post-election tax changes

**Simplification of the tax law
Clarification of the tax system
Unified collection point**

The surprising results of the Czech parliamentary elections held at the end of May portend the emergence of a new centre-right government. According to the pre-election programmes of the parties which will likely form a coalition, the following changes can be expected in the area of tax legislation:

1. Simplification and clarification of the tax system

The new government will most likely preserve the current flat tax. There have been calls for introducing a progressive tax, but only for the highest income groups (specifically, a 25% rate for income exceeding six times the average gross monthly salary). Another expected goal is to unify the tax base for calculating all direct tax and insurance payments, and simultaneously to eliminate excessive tax exemptions, e.g. by introducing taxes on gambling and prostitution.

2. Creation of a unified collection and controlling point

With regard to the method of collecting income tax and social and health insurance contributions, the creation of a unified collecting point is being contemplated, under which employers and the self-employed would pay a single aggregate sum calculated from a unified tax base and using just one tax form. This measure is expected to lead to cost reductions in administering direct taxes and payments not only for the taxpayer, but for the state as well.

3. Repeal of transaction taxes

Another declared aim leading to the clarification of the tax system is the repeal of inheritance, gift and real estate transfer taxes for reasons of their low yield and high administrative costs.

4. New tax benefits

It can also be expected that the current system of disparate employee benefits in the area of transportation will be repealed and replaced with a uniform transportation allowance that will be the same for all employees. In the area of support for families with children, it can be expected that demonstrable expenditures for services connected with childcare and domestic work will be reclassified as tax deductible expenses.

